

LBNL – PROCUREMENT STANDARD PRACTICES

Section: 29 Taxes

Subject: 29.3 California Property Tax

PURPOSE: This standard practice (SP) describes the procedures for obtaining an exemption from the payment of personal and real property taxes.

POLICY: The Laboratory will obtain exemptions from the payment of personal and real property taxes on leases of personal or real property.

SCOPE: This SP applies to all subcontracts issued for the lease of personal or real property.

DEFINITIONS:

Lease A lease is a written subcontract executed by the Laboratory (lessee) and a subcontractor (lessor) that contains the essential terms and conditions under which the Laboratory may use and possess property in exchange for the payment of rent during the term of the subcontract.

Lessee A lessee is a tenant holding a lease.

Lessor A lessor is one who grants the use of property by lease.

Personal Property Personal property is any movable item subject to ownership, such as equipment. The term does not include real property. Trailers are classified as personal property.

Real Property Real property is land and/or its improvements, including affixed structures and any other building space.

PROCEDURES:

General The Laboratory is exempt from payment of personal and real property taxes on equipment or real property that is leased in the State of California but is not owned by the University. In order to preserve this privilege, the Laboratory must include clauses pertaining to this exemption in solicitations and subcontracts for the lease of personal or real property.

Vehicles and Trailers To avoid paying property taxes on vehicles and trailers of all kinds that are leased for a period of 30 consecutive days or more, vehicles should be registered using an *Application For Exempt Registration*.

Filing for Exemption from Property Taxes Filing for exemption from property taxes is normally made by the lessor (regardless of where the lessor is physically located) on behalf of the Laboratory for any property that is physically located in California as of March 31st of each calendar year. The filing must be made by March 15th to the tax assessor of

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the county in which the property is located using a *Lessor's Exemption Claim* form. The form must be signed by both the lessor and lessee.

Leases with Option to Acquire

When the Laboratory has an option to acquire property at the end of the lease for one dollar or other nominal sum, the lessor can file a special claim to receive one-time reporting treatment for the exemption. This claim must be filed with the assessor within 120 days of the commencement date of the lease and takes the place of filing the annual exemption claim.

RESPONSIBILITIES:

Procurement Specialist

The procurement specialist will:

- Include property tax exemption clauses in applicable solicitations and subcontracts and
- Cooperate with procurement staff in obtaining property tax exemption for leases subject to the property tax.

REFERENCES:

Prime Contract Clause I.99 - State and Local Taxes
Prime Contract Clause I.103 - Accounts, Records, and Inspection